

VZCZCXRO5865  
PP RUEHCN RUEHDT RUEHGH RUEHHM RUEHVC  
DE RUEHCHI #0050 0740722  
ZNR UUUUU ZZH  
P 150722Z MAR 07  
FM AMCONSUL CHIANG MAI  
TO RUEHC/SECSTATE WASHDC PRIORITY 0422  
INFO RUEHHS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS  
RUEHBK/AMEMBASSY BANGKOK PRIORITY 0675  
RUEHOO/CHINA POSTS COLLECTIVE  
RUEHCHI/AMCONSUL CHIANG MAI PRIORITY 0465  
RUCPDOG/USDOC WASHINGTON DC

UNCLAS CHIANG MAI 000050

SIPDIS

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E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [ECON](#) [TH](#) [BM](#) [CH](#) [LA](#)

SUBJECT: TEST DRIVING THE THAILAND-YUNNAN HIGHWAYS

REF: 06 CHIANG MAI 217 (PROSPECTS OF INCREASED CHINA TRADE BRING BOTH ANTICIPATION AND FEAR)

¶1. Chinese government officials and Mekong region diplomats tested two alternate north-south routes between China and Thailand March 6-10 by driving from Jinghong in Yunnan Province to Chiang Rai via Burma and back through Laos. Although the road under construction through Laos is generally considered the most reliable route for future trade between northern Thailand and southwestern China (reftel), the road through Burma is shorter and accesses a potentially bigger market.

¶2. According to Chiang Rai Chamber of Commerce head Patana Sithisombat, the traveling group included Chinese officials from Beijing, Yunnan and Xishuangbanna autonomous region as well as Kunming-based diplomats from Thailand, Burma, Laos, Vietnam, Malaysia and Cambodia. Chinese media also participated. The five-day trip was initiated by the Director of the Foreign Affairs Office in Kunming. By inviting representatives from the Ministries of Transportation, Commerce, and Foreign Affairs, Patana said that Yunnan province hoped to impress Beijing with transportation developments and to influence central government policies on trade, immigration, and customs regulations.

¶3. While the R3A through Laos, scheduled for completion in July 2007, has been touted as the best future route between southern Yunnan and Thailand, Patana told Consulate staff that China wants to develop trade on the shorter R3B. He reported that China and Burma agreed to open a permanent port of entry at the Chinese-Burmese border at Ruili-Mu Se. In addition to saving roughly 100 kilometers, the Burma route to the Thai border town of Mae Sai in Chiang Rai province transverses a potentially bigger market than that offered by less-populated northern Laos. The R3B from Jinghong to the Thai border is approximately 400 km vs. 500 km on the R3A.

¶4. Despite these supposed advantages, the Burma route has been seen as less viable because it passes through insurgency areas, and travelers are subjected to a series of unofficial tolls. Patana said that eliminating these outlaw levies along the R3B in Burma would lower the prices of Chinese goods in Burma and Thailand as well as the price of Thai exports to China. He reported that representatives from Beijing will "soon" meet the Burmese government in Naypyidaw to discuss the tolls, which, according to the Shan Herald Agency for News (SHAN), are levied both by the Burmese military and by opposition Kachin groups. (note: It's not clear how the Burmese government would persuade the insurgents to stop collecting these fees.)

¶5. To test drive both routes, the 41-member group of Chinese officials, media, and Mekong region diplomats left Jinghong on March 6 via the R3B through Burma, over-nighting in Kengtung on March 6. They entered Thailand at Mae Sai, staying in the provincial capital of Chiang Rai on March 7. On March 8 the group visited the Mekong port at Chiang Saen and the site of a future Thai-Laos bridge at Chiang Khong, crossing the Mekong by ferry to spend the night in Laos at Ban Houysai. On March 9, they stayed at Luang Namtha, in Laos, moving on to reach Jinghong on March 10.

¶6. Chiang Rai Governor Amrapun Nimanandh, who recently traveled

the R3A to Jinghong on a separate journey to test the future highway, told the Consul General he is worried that Chiang Rai province is unprepared for the logistics involved in increased trade with China. "We should have started this four years ago", he said, adding that he had heard that 4000 Chinese trucks are involved in the cross border trade, vs. 200 Thai and 80 Lao. He was less concerned about future language demands, noting the large number of Chinese students studying at Mae Fah Luang and Chiang Rai Rajabhat Universities and adding that he was able to communicate with his Jinghong counterparts in a Tai dialect that is similar to northern Thai.

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